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CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM

ALEXANDRIA, LOUISIANA

DECEMBER 31, 1998

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Release Date ~~MAY 26 1999~~



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

**CITY OF ALEXANDRIA EMPLOYEES'
RETIREMENT SYSTEM**

DECEMBER 31, 1998

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
City of Alexandria Employees'
Retirement System

We have audited the accompanying financial statements of the City of Alexandria Employees' Retirement System, Alexandria, Louisiana, (a pension trust fund of the City of Alexandria, Louisiana) as of and for the year ended December 31, 1998, as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the City of Alexandria Employees' Retirement System (a pension trust fund of the City of Alexandria, Louisiana) and are not intended to present fairly the financial position and results of operations of the City of Alexandria, Louisiana, in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Alexandria Employees' Retirement System, as of December 31, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 18, 1999, on our consideration of the City of Alexandria Employees' Retirement System's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

MARVIN A. JUNEAU, C.P.A. | ROBERT L. LITTON, C.P.A. | REBECCA B. MORRIS, C.P.A.
H. FRED RANDOW, C.P.A. | ROBERT W. DVORAK, C.P.A. | MICHAEL A. JUNEAU, C.P.A.
ERNEST F. SASSER, C.P.A. | DALE P. DE SELLE, C.P.A. | L. PAUL HOOD, C.P.A.



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PAYNE, MOORE & HERRINGTON, LLP

Board of Trustees
City of Alexandria Employees'
Retirement System

We have also previously audited, in accordance with generally accepted auditing standards, the financial statements as of and for the years ended December 31, 1993, 1994, 1995, 1996, and 1997 (none of which are presented herein); and we expressed unqualified opinions on those financial statements.

In our opinion, the information set forth in the required supplemental information for each of the six years in the period ended December 31, 1998, appearing on pages 10 through 12, is fairly stated in all material respects, in relation to the financial statements from which it has been derived.

The year 2000 supplementary information on page 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and the presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the City of Alexandria Employees' Retirement System is or will become year 2000 compliant, that the System's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the System does business are or will become year 2000 compliant.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information listed as additional information in the table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Payne Moore & Herrington, LLP
Certified Public Accountants

February 18, 1999

CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF PLAN NET ASSETS
DECEMBER 31, 1998

EXHIBIT A

ASSETS

Cash		\$ 1,088,251
Accounts receivable - contributions		150,585
Accrued interest and dividends receivable		527,950
Investments, at fair value:		
Corporate bonds		
(amortized cost \$15,265,489)	16,665,235	
U.S. treasury obligations		
(amortized cost \$2,581,419)	2,690,903	
Zero coupon treasury receipts		
(amortized cost \$5,626,588)	7,164,729	
GNMA notes		
(amortized cost \$1,079,749)	1,254,466	
U.S. government agency notes		
(cost \$4,418,254)	4,461,542	
Corporate stocks		
(cost \$19,155,511)	<u>30,090,295</u>	
Total Investments (cost \$48,127,010)		62,327,170
Furniture, fixtures, and equipment, at cost		
net of accumulated depreciation of \$16,193		<u>8,514</u>
Total Assets		<u>64,102,470</u>

LIABILITIES

Payroll taxes withheld		<u>210</u>
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NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

<u>(A schedule of funding progress is presented on page 10)</u>		<u>\$64,102,260</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN PLAN NET ASSETS
YEAR ENDED DECEMBER 31, 1998

EXHIBIT B

ADDITIONS

Contributions	
Employer	\$ 2,547,617
Plan members	<u>1,448,411</u>
Total Contributions	3,996,028
Investment income	
Net appreciation in fair value of investments	5,370,398
Interest	2,358,135
Dividends	374,955
Gain on sale or redemption of securities	<u>1,674,709</u>
Total Investment Income	9,778,197
Miscellaneous income	<u>3,061</u>
Total Additions	13,777,286

DEDUCTIONS

Benefits	4,361,450
Refunds of contributions	209,610
Administrative expenses	<u>103,183</u>
Total Deductions	<u>4,674,243</u>

NET INCREASE

9,103,043

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS,
BEGINNING OF YEAR

54,999,217

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR

\$64,102,260

The accompanying notes are an integral part of the financial statements.

CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM

DECEMBER 31, 1998

NOTES TO FINANCIAL STATEMENTS

A. PLAN DESCRIPTION

The City of Alexandria Employees' Retirement System (the System) is the administrator of a single-employer defined benefit plan established by Act 459 of the Louisiana Legislature of 1948, as amended, and administered by the City of Alexandria. The System is considered part of the City of Alexandria financial reporting entity and is included in the City's financial reports as a pension trust fund.

Substantially all employees of the City, except firemen and policemen, become members of the System as a condition of employment. At December 31, 1998, System membership consisted of:

Current employees	
Vested	258
Nonvested	297
Terminated members due future benefits	4
Terminated members not due future benefits	96
Retirees and survivors currently receiving benefits	<u>331</u>
Total	986

The following brief description of the System is provided for general information only.

Retirement Benefits - Members with ten years of creditable service may retire at age sixty-two; members with at least twenty years of creditable service may retire at age sixty; members with twenty-five years of service may retire at age fifty-five; members with thirty years of service may retire regardless of age. The retirement allowance is equal to three percent of the member's average compensation multiplied by number of years of creditable service, not to exceed one hundred percent of average compensation. (Average compensation is defined as the highest three year average annual compensation.)

Disability Benefits - Five years of creditable service are required in order to be eligible for disability benefits. Disabled members receive a retirement allowance if they have attained the age of sixty-two. Otherwise, they receive three percent of the final average compensation for each year of service, not to be less than three hundred dollars per year.

Survivor Benefits - Three years of creditable service are required in order to be eligible for survivor benefits. The survivor is entitled to twice the amount of accumulated contributions or two months salary, whichever is greater, plus \$1,000. If the member has completed fifteen or more years of service, the surviving spouse is entitled to an automatic option 2 benefit (an actuarially equivalent joint and full survivor benefit) which ceases if the spouse remarries. In lieu of option 2, the spouse may receive the greater of a refund of twice the member's

CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
DECEMBER 31, 1998

NOTES TO FINANCIAL STATEMENTS

contributions with interest earnings or two months salary. Widows, who are at least age fifty, of members who die prior to retirement but subsequent to becoming eligible to retire are entitled to automatic option 2 benefits.

Contribution Refunds - Upon withdrawal from service, members not entitled to a retirement allowance are paid a refund of accumulated contributions on request. Receipt of such a refund cancels all accrued rights in the System.

Contribution Rates - Covered employees are required by statute to contribute ten percent of their salary to the System. The City is required by statute to contribute remaining amounts necessary to finance the System at an actuarially determined rate. Benefit and contribution provisions are established by state law and may be amended only by the Louisiana Legislature.

Administrative Costs- Administrative costs of the plan are financed through investment earnings.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

Basis of Accounting - The System's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and when the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

In 1997, the System implemented the provisions of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. Under GASB Statement No. 25, the System is required to report plan investments at their fair value at the reporting date.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash - Management considers all highly liquid investments with a maturity of three months or less when acquired to be cash.

CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
DECEMBER 31, 1998

NOTES TO FINANCIAL STATEMENTS

Investments - Statutes allow the System to invest in securities issued, guaranteed, or insured by the United States government; bonds and other evidence of indebtedness issued by states or their political subdivisions; stocks, bonds, or other securities or evidence of indebtedness issued by any solvent corporation created under the laws of the United States or any of the states of the United States; and certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana.

Investments are reported at fair value. Corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Securities traded on the national securities exchange are valued at the last reported sales price on the last business day of the plan year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and asked prices.

Furniture, Fixtures, and Equipment - Furniture, fixtures, and equipment are valued at cost less accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related asset, as applicable. Depreciation is computed using the straight-line method over the estimated economic life of the assets.

C. CASH

The System's deposits at year-end were entirely covered by federal depository insurance or by collateral held by the System or its agent in the System's name (GASB Category 1).

D. FURNITURE, FIXTURES, AND EQUIPMENT

A summary of changes in furniture, fixtures, and equipment during the year is presented below:

	BALANCE <u>1/1/98</u>	ADDITIONS	DELETIONS	BALANCE <u>12/31/98</u>
Furniture and fixtures	\$ 4,137	\$ -0-	\$-0-	\$ 4,137
Computer equipment	<u>12,874</u>	<u>7,696</u>	<u>-0-</u>	<u>20,570</u>
Total	\$17,011	\$7,696	\$-0-	24,707
Accumulated depreciation				<u>16,193</u>
Net				\$ 8,514

CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
DECEMBER 31, 1998

NOTES TO FINANCIAL STATEMENTS

The following estimated lives are used to compute depreciation on the straight-line method.

Furniture and fixtures	7-10 years
Computer equipment	5 years

Depreciation expense recorded in the financial statements for the year ended December 31, 1998 amounted to \$2,253.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 (in thousands of dollars)

SCHEDULE 1

ACTUARIAL VALUATION DATE	(1) ACTUARIAL VALUE OF ASSETS	(2) ACTUARIAL ACCRUED LIABILITY (AAL)-FROZEN ENTRY AGE	(3) FUNDED RATIO (1) / (2)	(4) UNFUNDED AAL (UAAL) (2) - (1)	(5) COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL (4) / (5)
12/31/93	\$34,915	\$54,099	64.5%	\$19,184	\$11,654	164.6%
12/31/94	37,103	56,565	65.6	19,462	11,960	162.7
12/31/95	41,113	60,825	67.6	19,712	12,444	158.4
12/31/96	45,453	65,383	69.5	19,930	12,678	157.2
12/31/97	49,313	69,424	71.0	20,111	13,148	153.0
12/31/98	55,121	75,371	73.1	20,250	13,393	151.2

See independent auditor's report.

CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

SCHEDULE 2

<u>YEAR ENDED DECEMBER 31,</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTED</u>
1993	\$2,031,897	100%
1994	1,947,075	100%
1995	2,065,929	100%
1996	2,348,477	100%
1997	2,441,767	100%
1998	2,450,850	100%

See independent auditor's report.

CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/98
Actuarial cost method	Frozen Entry Age Normal
Amortization method	Level percent closed
Remaining amortization period	20 years
Asset valuation method	Common stock values were determined by using a three year smoothing of realized and unrealized gains and losses with one year retroactive phase in. For all other assets, amortized cost was used.

Actuarial assumptions:

Investment rate of return	8.0%
Projected salary increase	5.5%
Includes inflation at	3.25%
Includes merit raises at	2.25%
Cost-of-living adjustments	None

See independent auditor's report.

CITY OF ALEXANDRIA EMPLOYEE'S RETIREMENT SYSTEM
REQUIRED SUPPLEMENTAL INFORMATION
YEAR 2000 SUPPLEMENTARY INFORMATION
DECEMBER 31, 1998

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the System's operations as early as fiscal year 1999.

The System has completed an inventory of its computer system and other electronic equipment that may be affected by the Year 2000 issue which is necessary to conducting System operations, and has identified the financial reporting system and retiree disbursements system as being mission critical. The System relies on a vendor to provide the financial reporting system and for assessment, remediation, testing, and validation of this system as being Year 2000 compliant. The retiree disbursement system is part of the City of Alexandria's payroll system and is not under the control of the management of the City of Alexandria Employees' Retirement System.

During the year ended December 31, 1998, the System expended \$7,696 for software and hardware upgrades to its financial reporting system. No additional funds were committed to this project as of December 31, 1998. As of December 31, 1998, the vendor was in the process of testing and validating the financial reporting system. As of December 31, 1998, the City of Alexandria's payroll system was in the remediation stage.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of the related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management can not assure that the System is or will be Year 2000 ready, that the System's remediation efforts will be successful in whole or in part, or that parties with whom the System does business will be year 2000 ready.

See independent auditor's report.

ADDITIONAL INFORMATION

CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
 SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS
 YEAR ENDED DECEMBER 31, 1998

	SCHEDULE 3
CASH, BEGINNING OF YEAR	\$1,056,282
CASH RECEIPTS	
Member contributions	1,394,668
Employer contributions	2,450,775
Investment income	
Interest	2,390,871
Dividends	369,259
Gain on sale or redemption of securities	1,674,709
Miscellaneous income	<u>3,061</u>
TOTAL CASH RECEIPTS	8,283,343
CASH AVAILABLE	9,339,625
CASH DISBURSEMENTS	
Plan benefits	4,361,450
Refunds of contributions	209,610
Administrative expenses	100,869
Purchase of investments	3,571,749
Purchase of equipment	<u>7,696</u>
TOTAL CASH DISBURSEMENTS	8,251,374
<u>CASH, END OF YEAR</u>	<u>\$1,088,251</u>

See independent auditor's report.

CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
 INVESTMENTS - CORPORATE BONDS
 DECEMBER 31, 1998

SCHEDULE 4
 (Continued)

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>FACE VALUE</u>	<u>AMORTIZED COST</u>	<u>MARKET VALUE</u>
Aetna Life & Casualty Company	11/15/17	8.000%	\$226,000	\$206,308	\$234,226
Aetna Life & Casualty Company	08/15/23	7.250	200,000	197,450	197,000
Alabama Power Company	02/01/23	7.750	300,000	298,469	313,613
Alabama Power Company	11/01/23	7.300	200,000	197,933	209,396
American Telephone & Telegraph	07/15/24	8.125	200,000	200,000	218,771
American Telephone & Telegraph	12/01/31	8.625	400,000	399,063	448,748
American Telephone & Telegraph	07/15/24	8.125	200,000	200,425	218,771
Atlantic Richfield	03/01/32	8.750	100,000	100,000	130,967
Atlantic Richfield	02/01/22	8.250	200,000	200,000	243,187
Baltimore Gas & Electric	03/01/23	7.500	200,000	200,000	207,840
Bell Telephone Co. of Pennsylvania	03/15/33	7.375	200,000	199,388	208,609
Chesapeake & Potomac Telephone Co.	04/15/24	7.250	100,000	99,177	106,143
Coca Cola Enterprises	09/15/22	8.000	300,000	300,000	356,462
Consolidated Edison Company	06/15/23	7.500	200,000	186,942	209,938
Consolidated Edison Company	02/15/29	7.125	300,000	298,693	306,963
Dow Chemical	04/01/21	9.000	135,000	134,874	170,810
Duke Power Company	03/01/23	7.375	200,000	200,000	206,740
Duke Power Company	03/01/23	7.375	200,000	197,958	206,740
Duke Power Company	05/01/24	7.875	200,000	195,963	208,701
Eastman Kodak	06/01/21	9.200	115,000	113,491	153,211
E. I. duPont DeNemours	03/01/33	7.500	200,000	197,635	214,360
E. I. duPont DeNemours	03/15/04	8.125	100,000	99,863	112,884
E. I. duPont DeNemours	02/15/03	8.500	230,000	229,351	244,670
Florida Power Corporation	12/01/22	8.000	300,000	298,800	329,367
Florida Power Corporation	09/01/25	7.000	300,000	297,469	309,580
Florida Power & Light	02/01/23	7.750	200,000	197,754	209,203
Florida Power & Light	01/01/13	7.875	100,000	99,487	104,215
Ford Motor Company	09/15/11	9.500	200,000	199,874	266,631
Ford Motor Company	01/15/22	8.875	300,000	297,650	387,089
General Motors	07/15/21	9.400	300,000	298,556	400,420
Georgia Power Company	04/01/23	7.750	200,000	198,919	210,260
GTE - California, Inc.	04/15/24	8.070	200,000	200,000	222,873
Houston Lighting & Power Co.	07/01/23	7.500	100,000	95,127	103,552
Illinois Bell Telephone Company	03/15/24	7.250	300,000	296,987	318,406
Illinois Bell Telephone Company	07/01/23	7.125	200,000	199,375	208,444
Illinois Bell Telephone Company	03/15/24	7.250	200,000	195,681	212,271
Jersey Central Power & Light Co.	11/01/25	6.750	300,000	297,183	287,813
K-Mart	02/01/23	7.950	300,000	298,667	295,875
Mobil Oil	08/15/21	8.625	100,000	99,233	125,830
Morgan Stanley Group	02/01/24	7.500	200,000	199,150	196,890
New England Telephone & Telegraph	10/01/23	6.875	300,000	294,375	304,821

See independent auditor's report.

CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
 INVESTMENTS - CORPORATE BONDS
 DECEMBER 31, 1998

SCHEDULE 4
 (Concluded)

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>FACE VALUE</u>	<u>AMORTIZED COST</u>	<u>MARKET VALUE</u>
New Jersey Bell Telephone Company	03/01/23	7.250%	200,000 \$	195,577 \$	210,102
New Jersey Bell Telephone Company	12/15/24	6.800	200,000	195,000	201,955
New York Telephone Company	08/15/25	7.000	200,000	198,532	208,932
New York Telephone Company	08/15/25	7.000	200,000	196,083	208,932
New York Telephone Company	02/15/24	7.250	100,000	99,040	106,131
New York Telephone Company	02/15/24	7.250	100,000	99,043	106,131
Pacific Bell Telephone Company	08/15/23	6.875	200,000	197,292	204,430
Pacific Bell Telephone Company	02/01/33	7.500	200,000	198,189	217,692
Pacific Bell Telephone Company	08/05/23	6.875	200,000	194,973	204,430
Pacific Gas & Electric	03/01/26	7.250	200,000	196,817	224,849
Pacific Gas & Electric	08/01/26	7.250	100,000	99,894	106,350
Phillip Morris	01/01/01	9.000	200,000	200,000	212,554
Phillip Morris	01/01/01	9.000	200,000	202,849	212,554
Phillip Morris	01/15/17	8.375	250,000	247,495	258,359
Potomac Edison	12/01/22	8.000	300,000	299,100	340,674
Potomac Electric Power Co.	03/15/28	7.500	200,000	197,270	211,318
Rockwell International	02/15/01	8.375	200,000	199,618	211,038
Sears Roebuck	09/18/07	6.700	500,000	500,000	524,724
Sears Roebuck	11/01/11	9.375	250,000	250,000	317,872
Shell Oil Company	02/15/02	7.250	64,000	64,000	64,083
Southern California Edison	07/15/25	7.125	200,000	194,431	208,198
Southern California Edison	07/15/25	7.125	200,000	201,282	208,198
Southern California Gas	10/01/21	8.750	300,000	300,000	329,299
Southwestern Bell Telephone Company	07/15/25	7.250	400,000	400,000	419,967
Tennessee Valley Authority	07/15/24	8.050	300,000	291,225	304,102
Tennessee Valley Authority	07/15/24	8.050	200,000	193,760	202,735
The Potomac Edison Company	12/01/22	8.000	200,000	196,126	227,116
The Potomac Edison Company	06/01/24	8.000	100,000	99,270	108,156
U.S. West Communications Company	06/15/23	7.500	200,000	197,875	215,571
U.S. West Communications Company	09/15/33	6.875	200,000	194,103	202,245
Wal-Mart Stores	07/15/00	9.100	250,000	249,375	264,248
<u>TOTALS</u>			<u>\$15,420,000</u>	<u>\$15,265,489</u>	<u>\$16,665,235</u>

See independent auditor's report.

CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
 INVESTMENTS - U.S. TREASURY OBLIGATIONS
 DECEMBER 31, 1998

SCHEDULE 5

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>FACE VALUE</u>	<u>AMORTIZED COST</u>	<u>MARKET VALUE</u>
U.S. Treasury Bill	01/21/99	5.073%	\$ 500,000	\$ 487,664	\$ 498,974
U.S. Treasury Bond	05/15/05	8.250	300,000	300,092	313,747
U.S. Treasury Bond	05/15/08	8.375	300,000	298,500	344,217
U.S. Treasury Note	08/15/04	7.250	200,000	195,163	224,861
U.S. Treasury Note	07/31/99	5.875	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,309,104</u>
<u>TOTALS</u>			<u>\$2,600,000</u>	<u>\$2,581,419</u>	<u>\$2,690,903</u>

See independent auditor's report.

CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
 INVESTMENTS - ZERO COUPON TREASURY RECEIPTS
 DECEMBER 31, 1998

SCHEDULE 6

DESCRIPTION	MATURITY DATE	YIELD	FACE VALUE	AMORTIZED COST	MARKET VALUE
Zero Coupon Treasury Receipt	02/15/00	9.480% \$	470,500 \$	423,940 \$	467,950
Zero Coupon Treasury Receipt	02/15/00	9.480	108,540	97,799	102,956
Zero Coupon Treasury Receipt	02/15/00	9.045	264,540	239,480	250,929
Zero Coupon Treasury Receipt	02/15/02	9.134	1,066,920	807,070	918,437
Zero Coupon Treasury Receipt	05/15/03	9.177	736,700	497,510	596,705
Zero Coupon Treasury Receipt	08/15/03	9.053	811,980	539,220	651,476
Zero Coupon Treasury Receipt	11/15/03	9.161	1,000,000	647,230	248,780
Zero Coupon Treasury Receipt	08/15/04	8.844	689,768	423,540	524,513
Zero Coupon Treasury Receipt	07/09/12	8.000	600,000	208,090	208,896
Zero Coupon Treasury Receipt	11/15/12	8.616	790,000	315,950	507,117
Zero Coupon Treasury Receipt	08/15/14	8.661	1,013,000	349,840	588,593
Zero Coupon Treasury Receipt	08/15/15	7.940	516,000	141,332	206,947
Zero Coupon Treasury Receipt	02/15/17	8.300	3,000,000	687,029	1,099,080
Zero Coupon Treasury Receipt	02/05/18	7.420	1,000,000	248,558	792,350
<u>TOTALS</u>			<u>\$12,067,948</u>	<u>\$5,626,588</u>	<u>\$7,164,729</u>

Yield represents yield to maturity.

See independent auditor's report.

CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
 INVESTMENTS - GNMA NOTES
 DECEMBER 31, 1998

SCHEDULE 7

<u>DESCRIPTION</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL BALANCE</u>	<u>AMORTIZED COST</u>	<u>MARKET VALUE</u>
GNMA Notes	9.00%	\$ 408,045	\$ 379,279	\$ 438,648
GNMA Notes	9.50	338,284	328,399	365,817
GNMA Notes	10.00	226,333	220,919	248,140
GNMA Notes	10.50	27,782	25,227	30,813
GNMA Notes	11.00	17,283	15,792	19,305
GNMA Notes	11.50	18,677	15,151	21,247
GNMA Notes	12.00	25,599	21,634	29,550
GNMA Notes	12.50	56,785	53,063	65,950
GNMA Notes	13.00	11,539	11,208	13,418
GNMA Notes	13.50	9,725	5,246	11,439
GNMA Notes	14.00	<u>8,597</u>	<u>3,831</u>	<u>10,139</u>
<u>TOTALS</u>		<u>\$1,148,649</u>	<u>\$1,079,749</u>	<u>\$1,254,466</u>

All of the above are monthly principal reduction notes, with final maturity scheduled on various dates.

See independent auditor's report.

CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
 INVESTMENTS - U.S. GOVERNMENT AGENCY NOTES
 DECEMBER 31, 1998

SCHEDULE 8

<u>DESCRIPTION</u>	<u>MATURITY</u> <u>DATE</u>	<u>INTEREST</u> <u>RATE</u>	<u>FACE</u> <u>VALUE</u>	<u>COST</u>	<u>MARKET</u> <u>VALUE</u>
FHLB Note	08/19/03	6.000%	\$ 500,000	\$ 500,000	\$ 500,389
FHLMC Note	01/15/99	4.560	1,000,000	989,493	997,990
FHLMC Note	02/05/99	4.824	500,000	493,864	497,597
FHLMC Note	02/03/99	4.718	300,000	296,550	298,638
FHLMC Note	03/23/99	4.614	400,000	395,500	395,500
FNMA Note	05/23/05	6.320	1,250,000	1,248,661	1,274,765
FNMA Note	02/19/99	4.719	<u>500,000</u>	<u>494,186</u>	<u>496,663</u>
<u>TOTALS</u>			<u>\$4,450,000</u>	<u>\$4,418,254</u>	<u>\$4,461,542</u>

See independent auditor's report.

CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
 INVESTMENTS - CORPORATE STOCKS
 DECEMBER 31, 1998

SCHEDULE 9
 (Continued)

<u>DESCRIPTION</u>	<u>NUMBER OF SHARES</u>	<u>COST</u>	<u>MARKET VALUE</u>
Allied Signal, Inc.	5,000	\$194,890	\$ 221,562
Allstate Corporation	2,000	102,794	77,250
American Home Products	10,000	378,830	563,125
Ameritech Corporation	7,000	264,164	443,625
Anheuser Busch Company	3,000	96,014	196,875
Ascend Communications	5,000	215,140	328,750
Atlantic Richfield Company	5,000	337,724	326,250
AT&T Corporation	2,500	169,386	188,125
Baker Hughes, Inc.	6,000	203,519	106,125
Baxter International, Inc.	6,000	297,464	385,875
BellSouth Corporation	5,000	225,231	249,375
Boeing Company	10,000	538,877	326,250
Bristol Myers Squibb	2,000	163,534	267,625
Central LA Electric Company	11,000	301,744	377,437
Cisco Systems, Inc.	5,000	275,500	464,062
Citigroup, Inc.	7,000	358,550	346,500
Coca Cola Company	11,000	260,811	735,625
Cracker Barrel Country Store	7,000	197,716	163,187
Deere & Company	7,000	416,612	231,875
Electronic Data System	400	1,769	20,100
Eli Lilly and Company	7,000	259,096	622,125
Emerson Electric Company	10,000	293,131	605,000
Exxon	10,000	454,920	731,250
E.I. duPont & Company	7,000	491,638	371,437
Fluor Corporation	6,000	363,474	255,375
General Electric Company	20,000	459,298	2,041,250
Georgia Pacific Corporation	3,000	173,292	175,687
Gillette Company	12,000	480,159	579,750
GTE Corporation	10,000	446,536	650,000
Haliburton Company	5,000	242,025	148,125
Hershey Foods Corporation	6,000	214,320	373,125
Hewlett-Packard Company	10,000	644,924	683,125
Hibernia Corporation	25,000	484,390	434,375
Hughes Electronics	1,000	11,706	39,687
H.J. Heinz Company	10,000	301,274	566,250
Intel Corporation	7,000	334,413	829,938
International Business Machines	12,000	497,836	2,217,000
Johnson & Johnson	7,000	426,793	587,125
J.P. Morgan & Company, Inc.	3,500	423,150	367,719
Kaiser Aluminum Corporation	20,000	233,039	97,500
Lucent Technologies, Inc.	12,000	270,037	1,320,000

See independent auditor's report.

CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
 INVESTMENTS - CORPORATE STOCKS
 DECEMBER 31, 1998

SCHEDULE 9
 (Concluded)

<u>DESCRIPTION</u>	<u>NUMBER OF SHARES</u>	<u>COST</u>	<u>MARKET VALUE</u>
Medtronic, Inc.	8,000	\$ 222,049	\$ 594,000
Merck & Company	5,000	243,135	738,438
Microsoft Corporation	4,000	267,063	554,750
Motorola, Inc.	6,000	317,010	366,375
Novell, Inc.	15,000	207,144	271,875
Pepsico, Inc.	11,500	335,056	470,781
Pfizer	15,000	567,957	1,881,563
Procter & Gamble Company	7,500	637,265	684,844
Qwest Communications International, Inc.	3,000	126,796	150,000
Raytheon Company	1,008	30,074	52,101
Readers Digest Association	6,000	275,456	151,125
SBC Communications	16,000	334,601	858,000
Schlumberger, Ltd.	4,000	117,549	184,500
Texaco, Inc.	7,000	419,980	370,125
Tidewater, Inc.	11,000	411,273	255,063
Virginia Electric & Power	10,000	250,000	252,500
Walt Disney Company	15,000	398,884	450,000
Warner-Lambert Company	3,000	214,863	225,563
Weyerhauer Company	4,000	142,695	203,250
Whitney Holding Corporation	12,000	537,407	450,000
World Com, Inc.	15,000	372,486	762,188
W.M. Wrigley Company	5,000	<u>221,048</u>	<u>447,813</u>
 <u>TOTALS</u>		 <u>\$19,155,511</u>	 <u>\$30,090,295</u>

See independent auditor's report.

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND LOUISIANA GOVERNMENTAL AUDIT GUIDE**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
City of Alexandria Employees' Retirement System

We have audited the financial statements of the City of Alexandria Employees' Retirement System, Alexandria, Louisiana, (a pension trust fund of the City of Alexandria, Louisiana) as of and for the year ended December 31, 1998, and have issued our report thereon dated February 18, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Alexandria Employee's Retirement System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Alexandria Employees' Retirement System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over

MARVIN A. JUNEAU, C.P.A. | ROBERT L. LITTON, C.P.A. | REBECCA B. MORRIS, C.P.A.
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Board of Trustees
City of Alexandria Employees'
Retirement System

financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Trustees and management of the City of Alexandria Employees' Retirement System. However, this report is a matter of public record and its distribution is not limited.

Payne Moore & Herrington, LLP
Certified Public Accountants

February 18, 1999

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

